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SUBJECT: FRANCE: US PHARMACEUTICAL FIRMS AGENDA

PARIS 00001745 001.2 OF 002

Summary

¶1. (U): Ambassador Rivkin met with the board of AGIPHARM, the association of American pharmaceutical subsidiaries in France to review the results of President Sarkozy's pharmaceutical strategy conference (CSIS) held on October 26. AGIPHARM considers that the CSIS yielded important breakthroughs but that key issues remain. The 10th Annual France-U.S.A. conference on "Access to Pharmaceutical Innovation," which will take place in Boston, MA on June 11, 2010, offers an excellent venue for discussing these issues, provided it can attract the right participants. AGIPHARM asked Ambassador and EEB A/S Jose Fernandez to support high level participation by USG and senior American pharmaceutical executives.

¶2. (SBU) President Sarkozy's advisor for health, Raphael Radanne met subsequently with FCS to explore themes of mutual interest for the conference. These include addressing a perception that rigid French labor laws detract from an otherwise excellent investment climate for research and development in France, presenting the American model for public private partnerships in the pharmaceutical industry and considering best practices from the French healthcare system. Radanne agreed to promote the conference at the ministerial level of the GOF. We understand that French Ambassador Pierre Vimont and former Prime Minister Jean Pierre Raffarin have already committed to attend the conference. AGIPHARM will meet with Radanne in January to develop a detailed agenda for the conference. End Summary

Background: AGIPHARM and USCS France

¶3. (U) For more than 15 years, USCS France has worked closely with AGIPHARM (Association des Groupes Internationaux pour la Pharmacie de Recherche) composed of the subsidiaries of American research laboratories operating in France. AGIPHARM is recognized by public, industrial and medical authorities as an involved and responsible key player in French public health issues. AGIPHARM members are: Abbott, Amgen, Baxter, Biogen IDEC, Bristol-Myers Squibb BMS, Cephalon, Gilead, Janssen-Cilag, Lilly, Merck Sharp and Dohme MSD, Mundipharma, Pfizer, Procter and Gamble, Schering-Plough. AGIPHARM member companies have created approximately 18,000 direct jobs in France. This represents 18 percent of the total workforce in France's pharmaceutical industry. They operate manufacturing facilities and distribution centers as well as R and D sites. AGIPHARM advocates for a legal, regulatory and economic climate that advances global health care by assuring access to the benefits of innovative pharmaceuticals. To achieve this, AGIPHARM promotes:

-- Speedier product approval by industry regulators;

-- Faster agreement by French health insurance to cover new products and higher prices for these products;

-- Loosening strictures on direct communication including advertizing to key audiences including legislators, regulators, medical societies and patient organizations.

Sarkozy Makes Pharma R and D a Strategic Sector

¶4. (U) On October 26, President Sarkozy announced plans to make France the priority destination for foreign investment in medical research, with the healthcare industry becoming "a centerpiece of French competitiveness" on par with its aerospace and luxury goods sectors. To launch his new plan, President Sarkozy invited 15 CEOs of major foreign pharmaceutical and medical device companies - including three U.S. firms - to take part in a meeting of the Strategic Council for Health Industries (CSIS), a council created by then President Chirac in 2004 but which had not met for three years. Five ministers (Economy Minister Christine Lagarde, Budget Minister Woerth, Health Minister Bachelot, Industry Minister Estrosi, and Research Minister Pécresse) took part in small roundtables, along with President Sarkozy himself.

¶5. (U) AGIPHARM considers that Sarkozy broke important new ground through his personal participation, his designation of pharma as a strategic sector and through practical measures; e.g., companies can now charge two prices for drugs: one fixed price for pharmaceutical products reimbursed by French Social Security and an unregulated price for export. This pricing strategy will prevent parallel imports that undercut companies' marketing strategy and sales in export markets, a key issue for all U.S. firms.

¶6. (U) A second very positive point: to prevent subcontractors from manufacturing generic drugs in low-cost countries like China, India and Brazil, which could siphon off 5,000 French jobs, the President's plan allows companies to produce generics in France a few weeks before patents expire so that products can be ready for

PARIS 00001745 002.2 OF 002

sale as soon as the patent ends. In France, the generics market represents 20 percent of the drug market, compared to 4 percent in ¶2004. France has been promoting generic drugs as part of overall healthcare reforms.

Dialog with Ambassador Rivkin

¶7. (U) On December 8, CEOs of 14 U.S. subsidiaries briefed the Ambassador on key issues concerning operations and sales in France. For most U.S. firms, France represents the largest market outside of the United States. All CEOs noted that French tax credits on Research and Development, plus the highly qualified French scientific and technical personnel, make France an excellent location for R and D. Unfortunately, the rigid labor laws and the extremely complex consultations with unions required for almost any change have given France a poor image in U.S. corporate headquarters. Despite the success of the CSIS meeting, there remain other issues to pursue with the GOF. Public Private Partnerships (PPPs), for example, fascinate the GOF, but the GOF tends to view this as a way to gain private sector financing for government projects. AGIPHARM, by contrast, wants to see PPPs lead to greater cooperation on epidemiological data bases, which could serve as a measure of effectiveness of innovative products. The 10th annual France-U.S.A. conference on "Access to Pharmaceutical Innovation," which will take place in Boston, MA on June 11, 2010, offers an excellent venue for discussing these issues, provided it can attract the right participants. Ambassador Rivkin and visiting EEB A/S Fernandez, offered to promote this conference to senior U.S. and French policy makers and top U.S. pharmaceutical executives.

Meeting with Presidential Advisor on Health

¶8. (U) On December 14, FCS SCO and Commercial Specialist met with Raphael Radanne, Technical Advisor to President Sarkozy, to emphasize Embassy support for the dialog between the GOF and the American pharma subsidiaries in France. SCO offered three themes that could be of mutual interest.

-- Sector Image. While France has a lot to offer as a place for research and development, there continues to be an image problem in U.S. HQs regarding the rigidity of the labor market. Radanne acknowledged this image problem in the U.S. business community. SCO emphasized the opportunity to address this image problem at the conference, especially after President Sarkozy's strong commitments for the pharmaceutical sector. This would involve the Ministry of Finance and the Ministry of Industry to describe the reforms President Sarkozy is undertaking to provide greater flexibility.

-- Public-Private Partnerships (PPPs). SCO proposed that PPPs should be an important theme of the 10th conference, especially to showcase examples of successful PPPs in the U.S. as they relate to pharmaceutical R and D. Radanne responded enthusiastically on this theme, noting that President Sarkozy has made PPPs a priority.

-- Healthcare Reform. SCO noted that the healthcare reform would probably pass the Congress, but that the debate over implementation would continue. Hearing some best practices from France would be useful. Radanne agreed and added that the current healthcare reform in the U.S. is of great interest for France's decision makers in that field. He stated that, should pharmaceutical products experience price cuts on the U.S. market, it is very likely that laboratories will then try to raise prices in foreign markets.

¶9. (SBU) Significantly, Radanne offered to reach out to Ministers Bachelot (Health), Estrosi (Industry) and even Lagarde (Finance) in order to promote participation of those Ministers in the 10th conference, once we have a final agenda. We agreed that both sides would have to work in tandem to raise the level of participants if the conference were to have real impact. AGIPHARM will meet with Radanne in January to discuss the agenda in detail.

10th France - U.S. AGIPHARM Conference, 6/2010

¶10. (SBU) Since the meeting with Radanne, we understand that French Ambassador to the U.S. Pierre Vimont, Jean Pierre Raffarin - former French Prime Minister who created the "Competitive Clusters" - and Louis Giscard d'Estaing - who chairs the France - USA Friendship Group at the French National Assembly - have tentatively agreed to participate in the conference. If these speakers are confirmed, it should help to attract high ranking executives from the U.S. pharma industry and from the GOF and USG. The conference is scheduled for June 10 and 11, 2010, in Boston.

RIVKIN